No. 92-35

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IN THE

# Supreme Court of the United States

October Term, 1991

THE SCOTCH WHISKY ASSOCIATION,
*Petitioner,*

v.

MAJESTIC DISTILLING COMPANY, INC.,
d/b/a, MONUMENTAL DISTILLING COMPANY,
*Respondent.*

## BRIEF IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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## BRIEF IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Respondent, Majestic Distilling Company, Inc. ("Majestic"),[1] requests that this Court deny the petition of The Scotch Whisky Association ("SWA") seeking review of the judgment and opinion of the United States Court of Appeals for the Fourth Circuit entered March 4, 1992.

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[1] Pursuant to Supreme Court Rule 29.1, Majestic states that it does not have any parent or subsidiary corporations.

## OPINIONS BELOW

Respondent accepts and adopts the Petitioner's recitation of the Opinions Below presented on pages 1 and 2 of its Petition for a Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit.[2]

## JURISDICTION

Respondent accepts and adopts the Petitioner's recitation of Jurisdiction presented on page 2 of its Petition.

## RESPONDENT'S STATEMENT OF THE CASE

SWA's claim fundamentally is that customers of Majestic's BLACK WATCH blended whiskey, gin and vodka will be deceived as to the geographic origin of its products because of the use of the term "Black Watch" as a trademark

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[2] In a footnote to its statement of Questions Presented For Review, SWA states that it "reserves" the right to argue an additional question regarding the Fourth Circuit's dismissal of SWA's appeal of a decision by the Northern District of Illinois holding venue in that district improper "in the event that the writ is granted on the above identified questions." SWA does not set forth any reason why the Court should grant a writ with respect to this "additional question," does not include in its appendix the opinion of the Fourth Circuit dismissing that appeal, and does not provide any basis for such a "reservation" of such an alleged "right." SWA's request is improper, baseless and frivolous.

and certain decorative elements that appear on their respective trade dresses.[3] The decorative elements are a coat of arms and a design of plant matter.

Majestic has used the mark BLACK WATCH for scotch whisky since 1964 after obtaining a trademark search and a legal opinion that the mark was available. Petitioner's Appendix 2a (hereinafter "Pet. App."); 2 J.A. 487-489, 493, 507-508; 1 J.A. 141, 147-153. 296-297; 8 J.A. 3361-3362. It expanded its BLACK WATCH product line to blended whiskey in 1967, to gin in 1971, and to vodka in 1977 and continues to sell each of those BLACK WATCH products. Pet. App. 3a. Majestic's BLACK WATCH mark has been federally registered for "whisky" without limitation to kind since 1965 and is now incontestable under Section 22 of the Lanham Act[4], 15 U.S.C. § 1072. Pet. App. 3a.

Each of the BLACK WATCH labels clearly indicates the geographic origin of its product -- that BLACK WATCH scotch is imported from Scotland, BLACK WATCH blended whiskey is blended and bottled in Baltimore, Maryland, and BLACK WATCH gin and vodka are products of the U.S.A. and are bottled in Baltimore, Maryland. Pet. App. 9a-10a, 26a-27a, 71a-77a. For over 20 years the BLACK WATCH blended whiskey, gin and vodka labels have been reviewed and approved by the Bureau of Alcohol, Tobacco and

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[3] SWA has no objection to Majestic's use of its BLACK WATCH mark for scotch or the trade dress Majestic uses for its scotch product.

[4] The United States Trademark Act of 1946, as amended, 15 U.S.C. 1051, *et seq.*

Firearms ("BATF") as not indicating a false geographic origin. 1 J.A. 169-171, 177-178, 183, 185-187; 2 J.A. 510-511, 514-515.

SWA makes a false claim that Majestic "admitted that it chose the name BLACK WATCH for its strong Scottish connotation." Petitioner's Brief p. 5 (hereinafter "Pet. Brief"). Instead, Majestic merely admitted that the trade dress of its BLACK WATCH scotch, which on its front label states "IMPORTED SCOTCH", "SCOTCH WHISKY", "100% Scotch Whiskies" and "Distilled & Blended in Scotland," and on its back label "Imported", "Blended Scotch Whisky", "Distilled and Blended in Scotland", "100% Scotch Whiskies", "Product of Scotland" and "Blended Scotch Whiskey" -- was adopted to have a Scottish connotation. Pet. App. 10a, 71a; 1 J.A. 179, 181. In contrast, there is no reference to "Scotland", "Scottish", or "Imported" on any of Majestic's BLACK WATCH blended whiskey, gin or vodka labels. Pet. App. 10a, 26a, 73a, 75a, 77a.

"Black Watch" is not a term which designates geographic origin. It is not the name of any geographic place in Scotland or anywhere else. Pet. App. 26a. Further, SWA's own evidence and the evidence offered by Majestic shows that in the United States, the term "Black Watch" is used and/or registered as the name for a host of products, services, businesses and other things, such as cigars, cheese, magnetic tape, golf balls, toilet soap, marmalade, power boats, blankets, bathing suits, a rock band and so on -- none of which have any apparent connection to Scotland. Pet. App. 9a, 27a; 1 J.A. 147-151, 305-314, 322-421; 2 J.A. 592-595; 6 J.A. 2566-2568, 2652-2653; 2570-2576, 8 J.A. 3553-3556; 4 J.A. 1568-1746, 1797-1822, 1833-1879; 5 J.A. 1972-1973. Moreover, Black Watch is well known as the

generic name for a type of plaid which could be produced anywhere. Pet. App. 27a. In addition, while there may be a Black Watch regiment in the British army, Black Watch is also the name of a Canadian regiment and marching band that is not controlled by the British regiment. Pet. App. 27a.

For the purpose of Majestic's summary judgment motion, the coat of arms appearing on the BLACK WATCH scotch, blended whiskey, vodka and gin labels is deemed to be the regimental badge of The Black Watch, the Royal Highland Regiment of the British Army of the United Kingdom. The badge's detail contains the word "highlanders", among others, but that word can barely be discerned except with aid of a magnifying glass. *See* Pet. App. 10a, 71a, 73a, 75a and 77a. There is no evidence of use of the badge in the United States or that it would be recognized by the public as the regiment's badge. Pet. App. 28a. The plant matter on the Black Watch labels is apparently a stylized thistle, but there is no evidence that the public would recognize it as such, nor understand a thistle to be anything more than a prickly plant. Pet. App. 10a, 28a.[5]

Moreover, until SWA instituted these proceedings, no one ever objected to Majestic's BLACK WATCH mark or trade dress. 2 J.A. 630. This is so even though over the last 25 years Majestic's BLACK WATCH scotch was supplied by a number of prominent members of SWA who were aware of Majestic's other BLACK WATCH products.

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[5] Contrary to SWA's representation (Pet. App. 75a), the alleged thistle design does not appear on the BLACK WATCH gin label, and has not appeared on that label since 1987. *See* 1 J.A. 187.

2 J.A. 498-499; 8 J.A. 3400-3401. Further, Joseph E. Seagram & Sons, another member of SWA, actually sought to purchase Majestic's rights to its BLACK WATCH mark in the United States, and long has been well aware of Majestic's other BLACK WATCH products and their sale and advertising. 2 J.A. 443, 494-497, 591-599, 608, 922-923; 1 J.A. 260-289; 8 J.A. 3396; Thome Tr. 40-42, 44, 80. Moreover, SWA itself knew in 1965 of Majestic's application to register its BLACK WATCH mark in the United States for whisky of any kind. 1 J.A. 165-166, 2 J.A. 555-556, 625-629, 982-983; 8 J.A. 3362.

Significantly, despite sales of millions of dollars of BLACK WATCH products, no one in the last 25 years has ever been confused or deceived as to the origin, geographic or otherwise, of Majestic's BLACK WATCH products. Pet. App. 11a, 27a-28a. No study has been offered which shows or suggests that such confusion is likely or even possible. Pet. App. 25a n.3, 29a. Further, there is no evidence that Majestic has ever tried to deceive anyone as to the geographic origin of any of its products or would have any reason to do so. Pet. App. 10a, 26a, 27a n.4.

Majestic moved for summary judgment against SWA. The trial court granted Majestic's motion, describing SWA's claims that customers are likely to be deceived as to the geographic origin of Majestic's BLACK WATCH blended whiskey, gin and vodka as not "well grounded in law or in fact", as "totally unpersuasive", as "inconceivable", as "nonsense", as "really silly", and as "totally unconvincing". Pet. App. 16a, 25a, 29a; 7 J.A. 3262-3263, 3273. The Fourth Circuit affirmed the District Court's grant of summary judgment against SWA.

After the trial court granted its motion for summary judgment, Majestic moved for its attorney fees under Rule 11 and under Section 35(a) of the Lanham Act which allows courts to award the prevailing party attorney fees in "exceptional cases". The trial court found that while SWA's claims were not "well founded in law or in fact," they were not "so totally devoid of arguable merit that sanctions or legal fee awards are appropriate under Rule 11." Pet. App. 16a. However, the trial court erroneously applied the same standard for Majestic's claim under Section 35(a) holding that there was no "meaningful difference between the Rule 11 standard and the Section 35(a) exceptional case standard." Pet. App. 17a. While the trial court denied Majestic's motion for attorney fees, it indicated that it would not be reluctant to award Majestic its fees and encouraged Majestic to appeal its denial under Section 35(a). Pet. App. 17a.

Majestic appealed the trial court's denial of attorney fees only under Section 35(a).

The Court of Appeals for the Fourth Circuit held that the trial court used the wrong standard in denying Majestic its attorney fees under the Section 35(a) exceptional case standard and remanded Majestic's claim for attorney fees under that section for consideration under the appropriate standard. Pet. App. 14a.

## ARGUMENT

### I. The Fourth Circuit Applied The Proper Standard In Affirming The Grant Of Summary Judgment. SWA Simply Failed To Show A Genuine Issue For Trial.

In affirming the District Court's award of summary judgment against SWA, the Fourth Circuit found that after "[c]onsidering all of the facts in the light most favorable to the non-moving party," there was no "genuine issue of fact as to whether the public will be deceived as to the origin of Majestic's BLACK WATCH products." Pet. App. 11a. SWA cites no error with the standard the Fourth Circuit applied in its grant of summary judgment nor conflict with this Court or any circuit court. Indeed, the standard used by the Fourth Circuit is the standard SWA contends the Fourth Circuit should follow. Pet. Brief 17.

Moreover, SWA cites no error in the standard used by the Fourth Circuit for a violation of Section 43(a) of the Lanham Act or its conflict with any circuit court. As acknowledged by SWA and applied by the Fourth Circuit and the District Court, the test for unfair competition under Section 43(a) of the Lanham Act and the common law is whether there is a likelihood of confusion as to a product's origin. 18, Pet. App. 6a, 24a, 29a. Thus, SWA does not truly contend that the Fourth Circuit has made an error of law. *Compare* Pet. Brief 17.

Instead, SWA merely tries to reargue the significance of the evidence it introduced.

However, SWA simply did not, as required by Rule 56(e), "set forth specific facts showing that there is a genuine issue for trial." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). The undisputed facts are overwhelming that the relevant public is not likely to believe that Majestic's BLACK WATCH blended whiskey, gin and vodka originate from Scotland. The labels of each of those products clearly indicate their geographic origin and have no reference to scotch, Scots, Scottish or Scotland. Pet. App. 9a-10a, 26a-27a, 71a-77a.

Further, despite decades of use of the BLACK WATCH mark, there is no evidence any one has ever been confused, mistaken or deceived as to the geographic origin of any of the BLACK WATCH products. Pet. App. 11a, 27a-28a. SWA argues that it was impermissible for the Fourth Circuit to infer that confusion was not likely because of the absence of any evidence of actual confusion. Pet. Brief 24. There is no support in reason or in law for SWA's position. The absence of even a scintilla of evidence of any confusion, mistake or deception as to the origin of products despite twenty-five years of open and notorious use and millions of dollars of sales is evidence that confusion is not likely. *See Pignons S.A. de Mecanique de Precision v. Polaroid Corp.*, 657 F.2d 482, 490-91 (1st Cir. 1981); *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 263 (5th Cir.), *cert. denied*, 449 U.S. 899 (1980); and *Plus Products v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1006 (2d Cir. 1983).

Moreover, "Black Watch" is not the name of any geographic place or location and SWA did not proffer any evidence that persons in the United States understood that the term "Black Watch" designated geographic origin. Pet. App. 11a, 26a-28a. Instead, its evidence, as well as Majestic's,

conclusively established that the term "Black Watch" is and long has been used and/or registered as the name for numerous products, services and businesses having no connection with Scotland. Pet. App. 9a, 27a. Also, it is the generic name for a type of plaid which may be produced anywhere. Pet. App. 27a. And while Black Watch is the name of a British regiment, it is also the name of an independent Canadian regiment and marching band. Pet. App. 27a.

With respect to SWA's allegations concerning the regimental badge and the alleged thistle design, there is simply no evidence that these decorations designate geographic origin. Even if the regimental badge were recognized as a regimental badge (and there is absolutely no evidence that relevant customers in the United States are aware of such badge), it would merely be recognition of a badge, not of geographical origin. Pet. App. 10a, 28a-29a. Moreover, if the decoration of the plant were recognized by relevant customers as a thistle, its primary meaning is as a prickly plant, not a designation of origin. Pet. App. 10a. For either the badge or the thistle, it would require imagination, thought and reflection (and considerable erudition) for such features to have any connection with Scotland and therefore these features are, at the most, only suggestive. *See Pizzeria Uno Corp. v. Temple,* 747 F.2d 1522, 1528 (4th Cir. 1984); and *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10-11 (2d Cir. 1976). However, it is fundamental to trademark law in this country that suggestive marks are perfectly valid marks. This basic principle was recently confirmed by this Court in *Two Pesos Inc. v. Taco Cabana, Inc.*, ____ U.S. ____, ____, 112 S. Ct. 2753, 2757, ____ L. Ed.2d ____, ____ (1992).

Despite its assertions, SWA has offered no evidence of bad faith or wrongful intent. Pet. Brief 23. Majestic has not falsely advertised or promoted its blended whiskey, vodka or gin products as coming from Scotland or ever tried to deceive the public as to the geographic origin of its blended whiskey, gin or vodka products. Pet. App. 10a, 26a. SWA has never offered any rational reason why Majestic, who sells a BLACK WATCH scotch, would want to deceive the public as to the geographic origin of its other BLACK WATCH alcoholic beverages. Pet. App. 10a, 26a, 27a n.4.

The evidence SWA points to in an attempt to indicate wrongful intent is merely that Majestic conceded that the trade dress for its BLACK WATCH scotch whisky, which has numerous references to "scotch", "Scotland" and "Imported," was intended to appear as though it came from Scotland. Pet. Brief 21-23. But, as the Fourth Circuit noted, the BLACK WATCH scotch is scotch and does come from Scotland. Pet. App. 10a. What Majestic's intentions were to indicate the geographic origin of its BLACK WATCH scotch is simply not evidence of what Majestic's intentions were to indicate the geographic origin of its line extensions of BLACK WATCH blended whiskey, gin and vodka -- none of which use the word "imported" or refer to Scotch or Scotland.

In sum, SWA's claim "just is really silly". 7 J.A. 3273. It simply has proffered nothing in support for its claim which would raise a genuine issue of material fact as to whether an appreciable number of relevant consumers are likely to be deceived into believing that Majestic's BLACK WATCH blended whiskey, gin or vodka came from Scotland. Accordingly, the Fourth Circuit's grant of summary

judgment was appropriate. As this Court observed in *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986):

> One of the principal purposes of the summary judgment rule is to isolate and dispose of factually unsupported claims or defenses, and we think it should be interpreted in a way to accomplish its purpose.

As SWA has failed to show that the Fourth Circuit applied an incorrect standard in affirming the summary judgment, or that its decision was in conflict with any decision of this Court or any Federal Rule of Civil Procedure, its petition should be denied.

## II. The Petition Fails To Show Any Conflict Among The Circuits Regarding The Paris Union Convention Or Any Contravention Of Law.

The Fourth Circuit's decision with respect to the International Convention for the Protection of Industrial Property of 1883 (Paris) (the "Paris Union Convention") is very narrow. The court merely held that, with respect to claims of the deceptive use of a description of geographic origin, the Paris Union Convention provides no greater protection than the law of unfair competition under Section 43(a) of the Lanham Act and under state common law which both require a showing of likelihood of confusion.

Despite its bald assertion to the contrary, SWA does not refer to any decision which conflicts with the Fourth Circuit's holding. Simply, there are not any cases which hold that the Paris Union Convention provides protection

against the use of designations of origin beyond that provided in Section 43(a). There is no protection other than against use of designations which are likely to confuse or deceive.

The courts of the United States have consistently held that the Paris Union Convention and like treaties have not changed the established law of unfair competition respecting the use of designations of origin which requires a showing of likelihood of confusion, but rather merely provide foreign nationals the same protection as afforded to domestic citizens under United States law. In a very similar case before this Court, *French Republic v. Saratoga Vichy Spring Co.*, 191 U.S. 427 (1903), the plaintiff argued that Article 8 of the Paris Union Convention, which requires member countries to protect commercial names, provided greater rights than that afforded under United States law. This Court rejected the plaintiff's claim and held that Article 8 was "designed merely to protect the citizens of other countries in their right to a trade-mark or commercial name, and their right to sue in the courts of this country, as if they were citizens of the United States." 191 U.S. at 439.

Section 44(b) and (h) of the Lanham Act implement foreign treaties with respect to unfair competition. Section 44(b) implements treaties and conventions only "to the extent necessary to give effect" to a provision of a treaty or a convention. Section 44(h), which specifically concerns the protection foreign nationals shall have against unfair competition, provides that such nationals "subject to the provisions of this Act shall be entitled to effective protection against unfair competition ..." (emphasis added). The practical effect of Section 44(b) and (h) is that foreign nationals are given the protection against unfair competition in accord with the provisions of the Lanham Act and provide

a federal forum in which foreign nationals can pursue their state claims. *See Vanity Fair Mills, Inc. v. Eaton Co.*, 234 F.2d 633, 644 (2d Cir. 1956) (The principle of Section 44(b) implementing international conventions is that "each nation shall apply its national law equally to foreigners and citizens alike."); and *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 792-93 (9th Cir. 1981).

As recognized by SWA, the test for SWA's claims for unfair competition under Section 43(a) of the Lanham Act and state common law "is whether defendant's acts are likely to cause confusion." Pet. Brief 18. The "effective protection against unfair competition" provided for in Section 44(h) of the Lanham Act and Article 10$^{bis}$ of the Paris Union Convention is fully satisfied by this established test for unfair competition.

Further, even if the Paris Union Convention were to provide substantive rights in the United States for unfair competition, SWA has not pointed to any authority that there should be a standard other than or broader than likelihood of confusion for the claims of deceptive use of false designations of origin made by SWA. It is revealing that SWA merely refers to the general, aspirational language of Article 10$^{bis}$ (1) and (2) while ignoring Article 10$^{bis}$ (3) which indicates "particular" acts prohibited by Article 10$^{bis}$. Article 10$^{bis}$ (3), which covers SWA's claims, prohibits "indications or allegations the use of which is liable to mislead the public as to the nature ... [or] characteristics ... of the goods." Pet. App. 64a-65a (emphasis added). There does not appear to be any substantive difference between the "liable to mislead" standard of Article 10$^{bis}$ (3) and the "likely to cause confusion" standard of Section 43(a) of the Lanham Act, and SWA points to none. Accordingly, the Paris Union

Convention itself provides a standard essentially the same as Section 43(a) of the Lanham Act and the established common law of the states for the claims raised by SWA.

Accordingly, SWA has not raised any circuit court decision or obligation of the United States in conflict with the decision of the Fourth Circuit. Its petition should therefore be denied.

## III. The Fourth Circuit Standard For Recovery Of Attorney Fees By Prevailing Defendants Is Consistent With Both Congressional Intent And The Decisions Of Other Courts Of Appeal.

The Fourth Circuit reversed the decision of the District Court denying Majestic's motion for attorney fees under Section 35(a) of the Lanham Act, and remanded the action to the District Court for determination of Majestic's claims for attorney fees under the correct legal standard. Pet. App. 14a. Thus, there is, as yet, no decision as to whether this is an exceptional case that would warrant the award of attorney fees to Majestic as the prevailing defendant.

In reversing, the Fourth Circuit held that the District Court applied the wrong test, apparently the standard for a Rule 11 violation, i.e., a requirement for a finding of bad faith on the part of the plaintiff, for a determination of whether this is an exceptional case under Section 35(a) of the Lanham Act. Pet. App. 13a.

In so holding, the Fourth Circuit relied on the unambiguous language of the legislative history of the

amendment to Section 35(a), as well as the decision by the Court of Appeals for the District of Columbia Circuit in *Noxell Corp. v. Firehouse No.1 Bar-B-Que Restaurant*, 771 F.2d 521 (D.C. Cir. 1985)(opinion by Ginsburg, C.J., joined by Scalia, C.J., dissent by Wald, C.J.), (rehearing en banc denied). Pet. App. 12a-14a. The Fourth Circuit held that while it is "clear" that a prevailing plaintiff "must show that the defendant acted in bad faith" in order to establish an exceptional case, "a finding of bad faith on the part of a plaintiff is not necessary for a prevailing defendant to prove an 'exceptional case' under section 35(a) of the Lanham Act." Pet. App. 13a (emphasis added).

With respect to Congressional intent in amending Section 35(a), the Fourth Circuit correctly observed:

> Significantly, in discussing fee awards to plaintiffs, the report speaks of acts characterized as "malicious, fraudulent, deliberate and willful." Notably absent in the discussion relating to fee awards to prevailing defendants is language suggesting a requirement of bad faith.

Pet. App. 14a.

The difference between the tests applicable to prevailing plaintiffs and prevailing defendants is based on the fact that an attorney fee award to a prevailing plaintiff is in addition to the other remedies to which such a party is entitled, namely, actual damages, the infringer's profits, and possibly treble damages. Pet. App. 14a. A prevailing defendant, on the other hand, "who has been wrongfully charged of falsely designating origin has only one source of restitution,

recovery of attorney fees." Pet. App. 14a. As the Fourth Circuit explained:

> This is consistent, we think, with the report's discussion of attorney fees to a plaintiff as completing his remedy whereas the discussion of fees for a winning defendant is couched in terms of providing the only remedy.

Pet. App. 14a. *Accord* S. Rep. No. 93-1400, 93rd Cong., 2d Sess., *reprinted in* 1974 U.S. Cong. & Admin. News 7132, 7136 (amendment to Section 35(a) is designed to "complete" a plaintiff's remedies and courts have discretion to award to prevailing plaintiffs "treble damages, attorney fees, or both, or neither."). Respondent's Appendix 5a (hereinafter "Resp. App.").

The Fourth Circuit's remand of the action to the District Court and holding with respect to the "exceptional case" requirement of Section 35(a) of the Lanham Act, as applied to prevailing defendants, is consistent with both Congressional intent and the decisions of the courts of appeal that have considered the question. SWA therefore has failed to establish any cause for this Court to grant its petition for a writ of certiorari.

### A. *The Legislative History of Section 35(a) of the Lanham Act Does Not Require A Finding Of Bad Faith To Award Attorney Fees To Prevailing Defendants.*

With respect to the circumstances under which a plaintiff would be entitled to recover its attorney fees, in addition to

profits, damages and possible treble damages, the Senate Report states:

> Deliberate and flagrant infringement of trademarks should particularly be discouraged in view of the public interest in the integrity of marks as a measure of quality in products. Effective enforcement of trademark rights is left to trademark owners and they should, in the interest of preventing purchaser confusion, be encouraged to enforce trademark rights. It would be unconscionable not to provide a complete remedy including attorney fees for acts which courts have characterized as malicious, fraudulent, deliberate and willful.

S. Rep. No. 93-1400, 93rd Cong., 2d Sess., *reprinted in* 1974 U.S. Cong. & Admin. News 7132, 7136. Resp. App. 4a-5a.

From the plain language of the Senate Report, it is clear that in order to award fees to prevailing plaintiffs, in addition to their other remedies, "the acts of infringement" must be deliberate and willful, or, in other words, the defendant must have acted in bad faith. Resp. App. 2a, 4a-6a.

The Senate Report also describes the circumstances under which a prevailing <u>defendant</u> is entitled to an award of its attorneys' fees:

> The bill would also permit prevailing defendants to recover attorney fees in exceptional cases. This would provide protection against unfounded suits brought by trademark owners for harassment and the like.

S. Rep. No. 93-1400, 93rd Cong., 2d Sess., *reprinted in* 1974 U.S. Cong. & Admin. News 7132, 7136. Resp. App. 5a. The above language follows and is separate and apart from the discussion of the exceptional cases in which a prevailing plaintiff may recover its attorneys fees.

This dual analysis relating to prevailing plaintiffs and defendants is repeated thereafter in the Senate Report's conclusory Sectional Analysis, in which the report states:

> Section 3 provides that attorney fees may be awarded to the prevailing party in actions under the federal trademark laws, when equitable considerations justify such awards. It would make a trademark owners' remedy complete in enforcing his mark against willful infringers, and would give defendants a remedy against unfounded suits.

S. Rep. No. 93-1400, 93rd Cong., 2d Sess., *reprinted in* 1974 U.S. Cong. & Admin. News 7132, 7137 (emphasis added). Resp. App. 6a.

As shown, the Senate Report does not anticipate that a plaintiff's acts must be malicious, fraudulent, deliberate or willful, or in other words, in bad faith, in order for there to exist an exceptional case in which the prevailing defendant can recover its attorney fees and expenses. Instead, the report states simply that prevailing defendants are entitled to "recover attorney fees in exceptional cases," and that such recovery under Section 35(a) would provide "a remedy against unfounded suits." Resp. App. 6a.

### *B. The Courts Of Appeal That Have Considered The Award Of Attorney Fees To Prevailing Defendants Do Not Require Bad Faith On The Part Of The Plaintiff.*

Contrary to SWA's contention, the courts of appeal that have considered whether a prevailing defendant is entitled to an award of attorney fees under Section 35(a) of the Lanham Act, have held that bad faith of a plaintiff is not a requirement for recovery by a prevailing defendant.

For example, contrary to SWA's characterization (Pet. Brief at 13, n.9), the Eighth Circuit in *Hartman v. Hallmark Cards, Inc.*, 833 F.2d 117 (8th Cir. 1987), did not hold that a prevailing defendant could not meet the test of an exceptional case where the plaintiff had not acted in bad faith. Instead, the Eighth Circuit expressly held that "[b]ad faith is not alone determinative on the Lanham Act fee issue." *Hartman*, 833 F.2d at 123.

Further, in determining whether the prevailing defendant was entitled to an award of its attorney fees, the Eighth Circuit applied the correct test, namely, whether the plaintiff "brought an action that 'was groundless, unreasonable, vexatious, or was pursued in bad faith.'" *Hartman*, 833 F.2d at 123. In denying fees, the court simply held that it could not find that the case was exceptional merely due to the existence of "one weak element in a potential theory of recovery." *Hartman*, 833 F.2d at 123-24.

Likewise, the Court of Appeals for the District of Columbia Circuit also acknowledges that a prevailing defendant need not show bad faith on the part of the losing plaintiff in order to recover attorney fees under Section 35(a)

of the Lanham Act. *See Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521, 526 (D.C. Cir. 1985); *Reader's Digest Ass'n v. Conservative Digest, Inc.*, 821 F.2d 800, 808-809 (D.C. Cir. 1987).[6]

In *Noxell*, the District of Columbia Circuit recognized that the legislative history of the amendment to Section 35(a) demonstrates that Congress had in mind two classes of litigants when it enacted the fee provision: "[f]irst, the legislature envisioned 'make whole' compensation for certain victims of infringement; second, Congress endeavored to afford protection to defendants 'against unfounded suits brought by trademark owners for harassment and the like.'" *Noxell*, 771 F.2d at 524. With respect to prevailing defendants, the *Noxell* court found, based on the legislative history, that Congress did not intend to limit their recovery of fees to "the rare case in which a court finds that the plaintiff 'acted in bad faith, vexatiously, wantonly, or for oppressive reasons'." *Noxell*, 771 F.2d at 526.

Similarly, in *Standard Terry Mills, Inc. v. Shen Manufacturing Co.*, 803 F.2d 778 (3rd Cir. 1986), the Third Circuit did not rely on the absence of any bad faith on the part of the declaratory judgment defendant (i.e., the "plaintiff") in denying an award of attorney fees to the declaratory judgment plaintiff (i.e., the "prevailing defendant"). Instead, the Third Circuit simply found that

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[6] SWA also cites *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990)(Thomas, C.J.). However, this case is inapposite as it considered only the propriety of awarding attorney fees to a prevailing plaintiff. See section C(2) below.

this was not an exceptional case on the grounds that it could not find (as opposed to here) the plaintiff's claim "was groundless or brought primarily for the purpose of harassing" the defendant. *Standard Terry*, 803 F.2d at 782. As such, the Third Circuit properly applied the test designated by Congress for prevailing defendants, rather than the bad faith test reserved for prevailing plaintiffs. *Id.*

Finally, in *Motown Productions, Inc. v. Cacomm, Inc.*, 849 F.2d 781 (2d Cir. 1988), the Second Circuit recognized that Section 35(a) of the "statute is designed, in part, 'to afford protection to defendants against unfounded suits brought by trademark owners for harassment and the like... .'" *Motown Productions*, 849 F.2d at 786 (quoting *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521, 524 (D.C. Cir. 1985)). There, the district court awarded fees against the plaintiff's counsel pursuant to Section 35(a) based on a finding that the firm acted in bad faith. The Second Circuit reversed, simply holding that the district court's finding of bad faith was wholly without support. *Motown Productions*, 849 F.2d at 787. It did not, as stated by SWA (Pet. Brief at 14), interpret the attorney fee provision of Section 35(a) as requiring subjective bad faith for recovery.[7]

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[7] *See also Simon Says Enterprises, Inc. v. Schaffer*, 218 U.S.P.Q. 146, 148-149 and n.14 (S.D.N.Y. 1982) (prevailing defendant not required to show that plaintiff's acts were malicious, fraudulent, willful or deliberate; rather, prevailing defendant "may be reimbursed for the legal cost of defending the action if the court find the lawsuit was 'unfounded' or that it was otherwise 'exceptional'").

### *C. The Cases Cited By SWA Are Inapposite As They Do Not Address The Question Of The Recovery Of Attorney Fees Under The Lanham Act Or, Alternatively, By A Prevailing Defendant.*

The cases cited by SWA are inapposite because (1) they do not rule on the issue of attorney fees under Section 35(a) of the Lanham Act, (2) they address only the propriety of attorney fee awards to prevailing plaintiffs under Section 35(a) of the Lanham Act, or (3) they construe the attorney fee provisions of statutes other than the Lanham Act.

#### 1. SWA Cites Cases Which Do Not Rule On The Question Of Attorney Fee Awards Under Section 35(a) Of The Lanham Act.

In *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446 (9th Cir. 1991), the prevailing defendant did not appeal to the Ninth Circuit the district court's denial of attorney fees under Section 35(a) of the Lanham Act, but rather appealed only the denial of fees under Section 505 of the Copyright Act, 17 U.S.C. § 505. *Academy*, 944 F.2d at 1457.

In *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160 (11th Cir. 1982), the Eleventh Circuit overturned the district court's decision in favor of the defendant as to liability. As such, the defendant was no longer the "prevailing party," and therefore could not be entitled to an award of fees under Section 35(a) of the Lanham Act regardless of the test applied. *Safeway Stores*, 675 F.2d at 1169, n.14.

Finally, in *Hairline Creations, Inc. v. Kefalas*, 664 F.2d 652 (7th Cir. 1981), the Seventh Circuit determined that the prevailing defendant's motion for attorney fees was not timely. As the motion for fees was not timely, the appeal of the denial of that motion was also untimely and the Seventh Circuit dismissed the appeal on the grounds that it did not have jurisdiction to hear it. *Hairline Creations*, 664 F.2d at 660.

**2. SWA Cites Cases Which Only Address The Test Applicable To The Award Of Attorney Fees To Prevailing Plaintiff's Under Section 35(a).**

The following cases cited by SWA address the propriety of awarding attorney fees to a prevailing plaintiff and, as such, are also inapposite to its petition: *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 971 (D.C. Cir. 1990) (Thomas, C.J.) (reversed award of fees to plaintiff); *Schroeder v. Lotito*, 747 F.2d 801, 802 (1st Cir. 1984) (per curiam) (affirmed award of fees to plaintiff); *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.*, 952 F.2d 44, 47-49 (3rd Cir. 1991)(reversed award of fees to plaintiff); *Texas Pig Stands v. Hard Rock Cafe Int'l*, 951 F.2d 684, 696-97 (5th Cir. 1992)(reversed award of fees to plaintiff); *Frisch's Restaurants, Inc. v. Elby's Big Boy*, 849 F.2d 1012, 1017 (6th Cir. 1988)(affirmed denial of fees to plaintiff); *U-Haul International, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1044 (9th Cir. 1986)(denied award of fees to plaintiff for appeal); *Post Office v. Portec, Inc.*, 913 F.2d 802, 812 (10th Cir. 1990), *vacated*, 111 S. Ct. 1299 (1991)(affirmed award of attorney fees to plaintiff).

### 3. SWA Cites Cases Which Were Decided Under Statutes Other Than The Lanham Act.

Apparently aware that it cannot prevail by relying on case law decided under Section 35(a) of the Lanham Act, SWA turns to cases decided under statutes that are not controlling on or even relevant to this case, such as the Patent Act, the Copyright Act, and the Civil Rights Act. However, such reliance is both misplaced and inappropriate where the legislative history of and the case law decided under Section 35(a) of the Lanham Act is clear and unambiguous.

Moreover, with respect to the Patent Act, there is no "rule" that a defendant must show that the plaintiff acted in bad faith in order to recover attorney fees under the "exceptional case" provision of that statute. In *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448 (Fed. Cir. 1985), the Federal Circuit, the court specially created to hear appeals under the Patent Act, specifically held that "a court may award attorney fees [to a prevailing defendant] where circumstances demonstrate that litigation is baseless... ." *Standard Oil*, 774 F.2d at 455 ("Other exceptional circumstances include ... unjustified litigation, or a frivolous suit.").

Further, the Federal Circuit has recognized the wrong suffered by an innocent defendant who is forced to defend groundless litigation and that the only way to make whole such a party is through an award of attorney fees. In *Mathis v. Spears*, 857 F.2d 749 (Fed. Cir. 1988), the court held:

> In the present case, a wrong has been done. [plaintiff] has severely injured [defendant], having

> forced it to defend, at monstrous expense, its right to freely compete, subjecting [defendant] to a totally unwarranted suit and two unwarranted appeals.

*Mathis*, 857 F.2d at 754. Utilizing the same rationale as that found in the legislative history of the Lanham Act and as adopted by the Fourth Circuit, the Federal Circuit noted that prevailing plaintiffs in patent suits are entitled to awards of attorney fees in addition to awards of increased damages, whereas the only restitution available to prevailing defendants who are wrongly subjected to unwarranted suits is an award of their attorney fees:

> Provisions for increased damages under 35 U.S.C. § 284 and attorney fees under 35 U.S.C. § 285 are available as deterrents to blatant, blind, willful infringement of valid patents. The only deterrent to the equally improper bringing of clearly unwarranted suits ... is Section 285.

*Mathis*, 857 F.2d at 754.

In conclusion, the plain language of the Lanham Act requires a showing that a case is exceptional. There is no requirement in the statute that there be a showing of bad faith in order to award to a prevailing party its attorney fees and, with respect to a prevailing defendant, the legislative history of the amendment to Section 35(a) shows that there was no intent on the part of Congress to require a showing of bad faith. Finally, the decision of the Fourth Circuit is not in conflict with any decision of any other court of appeals respecting the award of attorney fees to a prevailing defendant.

## CONCLUSION

For the above reasons, respondent respectfully submits that this Court should deny the petition for writ of certiorari.

Respectfully submitted,

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# APPENDIX TO BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

# LEGISLATIVE HISTORY OF AMENDMENT TO SECTION 35(a) OF THE LANHAM ACT AND PERTINENT ARTICLES OF PARIS UNION CONVENTION

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## Legislative History Of Amendment To Section 35(a) Of The United States Trademark Act of 1946

SENATE REPORT NO. 93-1400

* * *

PURPOSE OF H.R. 8981

The purpose of H.R. 8981 is to affect three minor changes in the Trademark Act of 1946, as amended:

* * *

(3) It would authorize award of attorney fees to the prevailing party in trademark litigation where justified by equitable considerations.

* * *

## ATTORNEY FEES

The sole substantive provision of H.R. 8981 involves authorization of an award of attorney fees to the prevailing party in exceptional cases.

Existing law since 1967 is that attorney fees are recoverable only in the presence of express statutory authority (*Fleischmann Distillery Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967)). As a result, although the patent law and the copyright law provide for reasonable attorney fees, this remedy is not now available in the trademark area.

The Department of Commerce believes and the Committee agrees that the remedy should be available in exceptional cases, i.e., in infringement cases where the acts of infringement can be characterized as "malicious," "fraudulent," "deliberate," or willful." The attorney fee remedy should coexist with existing provision for treble damages and attorney fees should also be available to defendants in exceptional cases.

## DEPARTMENT OF COMMERCE STATEMENT

The communication from the Department of Commerce requesting introduction of the subject legislation contains the following statement of purpose and need:

* * *

### ATTORNEY FEES

The general rule in United States judicial proceedings is that, absent specific authority by statute or contract, attorney fees are not recoverable in ordinary actions at law or in equity by either a successful plaintiff or defendant. This American departure from the "English rule," under which attorney fees are generally awarded, arose early in this country's judicial development. Relatively few litigants then engaged attorneys to represent them in court, so the question of attorney fees was not commonly encountered. When the question was raised, courts seeking to promote free access to judicial processes felt constrained not to award attorney fees. They feared that an award to a successful litigant might discourage other potential litigants from bringing somewhat dubious suits. There was also fear that attorney fees would tend to become exorbitant if they could be charged against a losing party, and difficulties were anticipated in determining what amount was reasonable.

Courts have come to recognize, however, that equitable considerations demand exceptions to the general rule denying attorney fees. Attorney fees may not be the direct result of the wrong committed, but they may well be consequential and foreseeable. Judges and masters are capable of determining reasonable fees. In appropriate circumstances, a successful party should be entitled to full compensation for the injuries sustained and expenses incurred, since these were necessitated by the acts of the opposing party. The federal patent and copyright statutes expressly provide for reasonable attorney fees, as do a number of other federal acts.

Prior to 1967, the courts in trademark infringement and unfair competition cases had developed an equitable doctrine holding the attorney fees are recoverable by a successful plaintiff, notwithstanding the absence of express statutory authority under the Lanham Act. This doctrine was overruled, however, by the Supreme Court decision in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967).

Trademark and unfair competition cases bought under the Trademark Act of 1946, however, present a particularly compelling need for attorney fees, which are denied under the *Fleischmann* doctrine. Mass demand, mass advertising and the increasingly large variety of goods available make the trademarks of crucial importance to manufacturers, distributors and the consuming public. These facts of modern business life also make trademark infringement and acts of unfair competition particularly appealing to unethical competitors. Deliberate and flagrant infringement of

trademarks should particularly be discouraged in view of the public interest in the integrity of marks as a measure of quality of products. Effective enforcement of trademark rights is left to the trademark owners and they should, in the interest of preventing purchaser confusion, be encouraged to enforce trademark rights. It would be unconscionable not to provide a complete remedy including attorney fees for acts which courts have characterized as malicious, fraudulent, deliberate, and willful. The proposed amendment would limit attorney fees to "exceptional cases" and the award of attorney fees would be within the discretion of the court.

Section 35 of the present Trademark Act provides for awarding treble damages in appropriate circumstances in order to encourage the enforcement of trademark rights. The availability of treble damages, however, cannot be regarded as a substitute for the recovery of attorney fees. In suits brought primarily to obtain an injunction, attorney fees may be more important than treble damages. Frequently, in a flagrant infringement where the infringement action is brought promptly, the measurable damages are nominal. Section 35, as proposed to be amended, makes clear that a court has discretion as to whether to award treble damages, attorney fees, or both, or neither.

The bill would also permit prevailing defendants to recover attorney fees in exceptional cases. This would provide protection against unfounded suits brought by trademark owners for harassment and the like.

* * *

SECTIONAL ANALYSIS

* * *

Section 3 provides that attorney fees may be awarded to the prevailing party in actions under the federal trademark laws, when equitable considerations justify such awards. It would make a trademark owner's remedy complete in enforcing his mark against willful infringers, and would give defendants a remedy against unfounded suits.

**International Convention for the Protection of Industrial Property of 1883 (Paris)**

**Article 8.**

A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark.

**Article 9.**

(1) All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of

the Union where such mark or trade name is entitled to legal protection.

(2) Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported.

(3) Seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party, whether a natural person or a legal entity, in conformity with the domestic legislation of each country.

(4) The authorities shall not be bound to effect seizure of goods in transit.

(5) If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country.

(6) If the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country.